



## 2023 BUDGET SUMMARY



For the first time in a long time, there were very few leaks in the lead up to the May 9 Federal Budget. There was some unease amongst financial professionals about what might be hiding in the budget but we needn't have worried as there wasn't much in the budget at all. It is a budget from a government that thinks it will be in government for a while and doesn't want to rock the boat too much when it has a surplus to talk about.

### **BUY BUY BUY – Reduction of the Instant Asset Write Off**

If you were considering buying an asset for your business then you need to get moving to get an immediate tax deduction. The temporary expensing rules cease at 30 June 2023 and the small business entity (SBE) write-off threshold is being reduced from \$150k to \$20k as of July 1 2023. Therefore it is imperative that you act now to be able to get an immediate tax deduction for your assets. If you purchase an asset for over \$20k after 30 June 2023 then you will have to depreciate the asset over a number of years, hence delaying the timing of your tax benefit.

As standard, to get the immediate tax deduction the asset must be both purchased and on hand ready to use by 30 June.

The Treasurer also announced that the threshold to be considered a small business will be reduced to a turnover of \$10 million from 1 July 2023 onwards.



### **I QUIT GAS - Small Business Energy Incentive**

The Treasurer announced a small business energy incentive that will provide eligible businesses with a bonus tax deduction on spending to support electrification and more efficient use of energy.

Businesses with an annual turnover of less than \$50 million will be able to access an additional 20 per cent deduction on eligible expenditure, which may include investments such as heating and cooling systems, upgrading to more efficient fridges and induction cooktops and installing batteries and heat pumps. Electric cars and certain other assets will be excluded.

Up to \$100,000 of total expenditure will be eligible for the incentive, with the maximum bonus tax deduction being \$20,000 per business.

The Government is still working out the details on this one and more information is set to be released after consultation.



## **FIXING THE HOUSING SHORTAGE - Tax incentives for build to rent housing**

There are proposed incentives for investments in build-to-rent projects where construction commences after budget night. The plan is to increase the capital works tax deduction from 2.5 per cent to 4 per cent per year for eligible new build-to-rent projects and provide reduced withholding tax incentives for managed investment trusts.



## **THE OUTRAGEOUS SUPER TAX, or as the Government calls it - Better targeted superannuation concessions**

As previously announced, from the 2025–26 financial year, future earnings from superannuation for individuals with total superannuation balances above \$3 million will be subject to an additional 15 per cent tax. This includes unrealised gains on assets with no mechanism to claw back tax when the assets are eventually realised.

The 30 per cent rate will apply only to the proportion of earnings corresponding to balances above \$3 million. This means that earnings corresponding to the balance up to \$3 million will continue to be taxed at 15 per cent or less. This is a tax on the individual member and not the super fund. Let's hope this measure doesn't make it through parliament!



## **MANAGING CASHFLOW BETTER - Increasing the payment frequency of the Super Guarantee.**

From 1 July 2026 employers will be required to pay their employees' superannuation guarantee (SG) on the same day that they pay salary and wages. Aligning the payment of superannuation with wages and salaries will increase retirement incomes through greater compounding returns.

This is a big change for employers but an added bonus is the easing on cashflow for employers when making smaller payments more frequently.

The ATO will also receive additional resourcing to help it detect unpaid superannuation payments earlier, and the Government will set enhanced targets for the ATO for the recovery of payments. With wages and superannuation reported to the ATO each time wages are paid through the Single Touch Payroll System it will be very easy to find those employers who aren't making payments for their staff.



## **BUDGET ANNOUNCEMENTS**

A reminder that anything that is announced in the budget still needs to proceed through both houses of parliament and then receive Royal Assent before it becomes law. There are still 16 items from the last budget that are still making their way through parliament now, some with tax incentives that end at 30 June 2023!